App. F. IX-4

1931-2

File No. 30-31

Previous References

(Lm)

Serial Nos. 1-6

preserve

Later References

5.7 78.33

L.m 7-35 (1-5)

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 2a

174 E

Part B for June 33

SUBJECT.

Payment of interest at 2½ p.c. per annum on the balances of debenture deposits of the Land mortgage bank left in the hands of the Treasurer, during 30-1.

L 4-9

L 6511 13 & 20/1/33

The Registrar
Comptroller & Auditor General
Bank

Please see the Explanatory Memo

General and Revenue Secretariat | File No. 30 of 1931.

Serial No.	
1	From the Regr of Cs. No: 7056 Cs dt 1/4.4.1932 Forwarding Copies of the Correspondence between the Board of the L.M. Bank & himself regarding the allowance of interest on the Bank's moneys kept with the Trustee viz the Comptroller, in the Govt. treasuries and the utilization of recoveries of loans for the grant of fresh loans, and suggesting certain amendments in Byelaw no 36 and Rule 2(3)

1 The question of the allowance of interest at 5% per annum on the moneys of the L.M. Bank kept in the Govt. Treasury as is done in the case of charitable deposits is a point for consideration.

2 The other question of utilizing the recoveries of loan instalments made from the members of the Bank under the terms of their mortgage deeds is a further point for consideration.

3 The Comptroller's views may perhaps be unofficially ascertained —

4 A- This may be done

5 yes. Early

8/4/32

9/4

9/4

Note—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31

Interest on the moneys belonging to the Land Mortgage Bank left in Govt. Treasuries

File No. 30 of 193	General and Revenue Secretariat

2588/S.L.
16.4.32

R.O. No: 136 of (1931-32) 16.4.32

Forwarded with Compliments to the Comptroller & Govt. for favour of opinion.

By order

Bangalore
9th April 1932

Dy Secy. to Govt.
Rural Development Dept.

COMPTROLLER'S OFFICE
C.O. 535 Sp
12 APR 1932
S. L.
BANGALORE.

U.O.Note No. 3869 /S.L. Dated: 16th May 1932.
C.O. 18460 Spl dt 18.5.32

1. Returned with compliments.

2. The rate of interest to be allowed depends on the period for which the amount will be kept with the Government. The amounts held by the Trustee on behalf of the Bank represent only (1) debenture subscriptions and (2) recoveries of instalments of loans sanctioned by the Bank. The Trustee does not hold the share subscriptions of the Bank as stated by the Registrar. The share amounts received at the various treasuries are passed on to the Bank at the end of the month.

3. As regards item (1) debenture subscriptions: These amounts will be frequently withdrawn for the purpose of granting loans. The debenture subscriptions so far collected have almost entirely been disbursed now as loans. There is not even the ordinary Savings Bank Deposit restriction of withdrawal (once a week) in respect of these amounts. It would thus be seen that the Bank cannot claim even the ordinary rate of interest allowed for S.B. Deposits. We may, on the representation

Serial No.

representation made by the Registrar, however allow the ordinary S.B. Rates of interest on these amounts as we did last year. The Bank can not expect to get anything more by keeping such amounts for such short periods even with first class joint stock or Cooperative Banks. If at any time the Bank finds that it could keep any portion of these amounts as a fixed deposit with Government, the question of allowing a higher rate of interest may be considered with reference to the amount of deposit and its period.

3. As regards item (2) recoveries of loan instalments, the Registrar proposes that these amounts might be allowed to be utilised for the grant of further loans. In such a case even these amounts will be lying with Government for only short periods and no special rate of interest can be allowed. But in view of the fact that the Bank in its letter No.S.I.372 dated 7-3-32, state that no arrangement for the formation of a Sinking Fund has been made apart from keeping the loan recoveries with the Trustee, it is not clear how it has now submitted a proposal for utilising these amounts without simultaneously saying what other arrangement has been made for the formation of a Sinking Fund. This is a very important matter, as adequate arrangements have to be made for the repayment of the debentures on the due ~~due~~ dates. It may even be found that these loan recoveries are insufficient for the purpose of the Sinking Fund. The proposal to modify byelaw No.36 and Rule 2-(3) to enable loan recoveries to be utilised for granting further loans can not therefore be accepted unless adequate arrangements are

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31

are made for the formation of a Sinking Fund. Clause II(2)(1) of Government Notification No. G5929-L.M.4-29-4 dated 11-11-1929 requires the Trustee to see that adequate arrangements are made in this behalf.

10 Under these circumstances there is no objection to grant a special rate of interest ~~of~~ on the loan recoveries only, if they are not made available for granting further loans or on the corresponding Sinking Fund amounts. The rate of interest may be 5% ~~if~~ if the amounts are kept with us for 5 years, and 5½% for 7 years as in the case of Savings Bank Fixed Deposits.

V. Thamane
Comptroller.

S.S.

11 The Comptroller's views are very sound and may be accepted. Amendment to bye-law 36 & rule 2 (3) would therefore have to be defined unless the Registrar is able to convince Govt. that notwithstanding the utilisation of loan recoveries for granting fresh loans, there is every prospect of building up a Sinking fund. It is best in a venture of this kind that strict principles of banking are followed, & at the risk of subsidising the working of the Sch from out of State funds to the extent necessary.

General and Revenue Secretariat | File No. 30-31 of 193

Serial No.

in Each year -

1st member
Hon'ble Finl Secy

19.5.32

4871/2053

12 I agree with the Comptr. Till a sinking fund is formed for the repayment of the debentures as and when they are to be discharged it is not wise to permit the withdrawal of sums representing the proceeds of fresh loans. Such demands should be made otherwise as provided under the sanctioned scheme. There is no need to make any radical alteration in the existing arrangements, to all events like the Bank is able to maintain its reserves.

20/5

13/5

GOVT. OF INDIA
21 MAY 1932
No. 1585

13 It is not possible to allow on an amount at call a higher rate of interest than what is allowed in regard to Savings Bank Deposits at call. If the Bank is unable from its resources to pay in full the interest due on debentures, the deficiency has to be made good by Government and it is also well that the cost of the liability involved by the guarantee is fully brought out in accounts.

14 As observed by the Comptroller, an adequate provision is necessary to ensure the discharge of debentures on dates on which they are due for redemption. The utilisation for making fresh loans of sums repaid by the Bank's debtors is undesirable. This matter was discussed yesterday with the President of the Bank and he stated that if such utilisation is not permitted, some definite arrangement for the formation of a sinking

NOTE—Contn. Sheet.

sinking fund might be suggested to the Bank. He explained that the ~~xxxxx~~ annual repayments by debtors under the scheme of equated payments consist~~s~~ of interest and a share of the principal or the loan and ~~that~~ he assumed that what should be placed in the hands of the Trustee under the rules ~~was~~ is the principal-part of the annual instalments, the interest being retained by the Bank to meet its own current expenses. He added that the Bank would be agreeable to make over to the Trustee sums equivalent to the principal-shares payable in the respective years, calculated on the total amount of outstanding debentures and on their period of currency. Under this arrangement he added the annual shares so paid would themselves be equal to the amount required for discharge of debentures on the dates they are due for redemption and enquired what arrangements would be made for the investment of these annual contributions and for the payment to the Bank of the interest earned thereon from time to time. He requested that the best possible investment might be arranged for with a view to enable the Bank to earn the highest interest income and also to reduce the interest liability involved by the guarantee given by Government. The President also added that the Central Co-operative Bank would accept at seven per cent. interest deposits fixed for about six or seven years and that, if there was no objection, the annual contributions paid by the Bank to the Trustee might be invested as fixed deposits in this Bank.

The

General and Revenue Secretariat L.M. File No. 30 of 1931.

Serial No.

15 The further views of the Comptroller may be obtained in regard to the above proposals of the Bank's President and also generally in regard to the arrangements necessary for building up a sinking fund for discharging the debentures.

94 — 31 32

26/5/32

U.O. No: 1587 27.5.1932

16 Forwarded with Compliments to the Comptroller for favour furnishing his opinion on the further proposals of the President, L. M. Bank, &c.

By Order

Bangalore 26th May 1932

for Sec. to Govt. Dev. Dept.

U.O. no 130 Sd 28/5

COMPTROLLER'S OFFICE No. 6553 27 MAY 1932 S.L. BANGALORE.

U.O.No. 114 /S.L. Dated: 8th July 1932.

U O 8 Sd 9-7-32.

17 Returned with compliments.

The subject was discussed in person by my predecessor with the President of the Land Mortgage Bank on 3-6-1932. For making provision for repayment of debentures, the President suggested that he would pay every year a proportionate share of the principal amount of debentures for credit to the Sinking Fund. He proposed for this purpose payment on an annuity basis at 8% interest for 25 years which added together will accumulate to 100% at the end of the period. He prefers this to a uniform contribution of 4% spread over 25 years, as he would thus give smaller amounts in the earlier years and larger amounts in later years. As the total at the end of 25 years will

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31

Interest on the "Sinking Funds" belonging to the L.S. Bombay Debt in the Govt. Treasuries.

L. File No. 30 of 1931 | General and Revenue Secretariat

will amount to 100%, there is no objection to adopt the procedure. Under this procedure, the interest earned on this fund may be paid to the Bank.

18 2. As regards the investment of these amounts in the fixed deposits of the Bangalore Central Cooperative Bank in order to earn the highest rate of interest, it may be observed that the fixed deposits of this Bank are not recognised as "Trustee Securities." The stability of the Central Cooperative Bank and the period of investment and the amount of the Sinking Fund that can safely be invested in this Bank have to be considered by Government.

17 3. As regards the rate of interest to be allowed, attention is invited to the opinion expressed in the note dated 18-5-1932.

Rec 11/7/32

M Venkatesaiyengar

for Comptroller.

S.S.

IRS 8.7.32

Subn. for orders with reference to para 15 above.

Ex. KO 11/7/32

Dev. Secy.

12/7/32

FINANCE DEPARTMENT
13 JULY 1932
No. 312

T M(r.) 13.7

M Please refer to H Secy

13/7

14.7.32

H(s) 14.7

H. Sec) 14.7

Serial No.

H.F. NW 70. 158. 32
A 16.7.

24 I agree with the Comptroller. The President of the Land Mortgage Bank is agreeable to repay a certain amount every year towards the repayment of the principal of the Debentures which will amount to 100 per cent of the Debentures in a period of 25 years. By this arrangement we will have the full value of the Debentures within 25 years while they fall due for repayment ~~within~~ at the end of 30 years. This arrangement may therefore be agreed to and the amounts so paid into the hands of the Trustee may be deposited in the Government Treasury as the sinking fund for the loan. The only condition that we will have to impose would be that the amount of instalment payable should be paid on the due date irrespective of the Bank being able to realise its ~~demands~~ dues from its debtors.

25 It is quite natural that the President should expect to get as high an amount of interest on the amount so funded as possible. I do not think it desirable to leave these amounts in the Co-operative Apex Bank for the long period of 25 years for which this amount will be in our hands. The amount should be kept in the Government Treasury and we may agree to give thereon the most favourable rate of interest which we give to our creditors from time to time. It is not possible to fix a rate now to be in force for the next 25 years and for amounts which will be paid year after year. For the time being we may agree to give 5½ per cent which we pay on the Seven Year Fixed Deposits. But we will reserve to ourselves the right to change the rate of

But see P. 2. of Regr's letter where he says that the President wants only 5 p.c.

NOTE—Contn. Sheet.

21-7-32

(D

3792

File No. of 193 . | General and Revenue Secretariat

of interest whenever necessary, subject to the understanding that we will allow them the most favourable rate which we give to our creditors.

Dev. Sec'y)

20/7/32

22 JULY 1932 No. 551

D

21.7.32

I St M(r.)

21/7/32

I agree

Mine
23/7/32 D
25-7

As Mr. K.P. Srinivasa Iyengar spoke to me today again on this matter and suggested that the Bank may be allowed freedom to invest the Sinking fund Contributions other than with Govt. at a higher rate than that which the Govt can give. Any such investment will of course be with the permission of Govt. For instance if Post Office Cash Certificates give a better yield he stated that the Bank may be permitted to purchase them and lodge them with the Trustee. I think we may accept this modification.

As regards debenture amt with Govt pending drawing for making loans he again raised the question whether a higher rate than 3½% may not be paid. The Bank is after all the creature of Govt and of any help it requires

Serial No.

OFF
FIRST MEMO.
6 AUG 1932
No. 883

Should come in one form or another from Govt.
We are giving a subsidy towards Working Expenses and have also to meet the interest & Guarantee liability if any. If we give a better rate of interest the subsidy & guarantee payments will be reduced. In view of all Circs I think as a special Concession shown to the Bank and that for a limited period, say for three years from the time it began to keep its debenture funds in deposit with Govt we may allow 4½ p.c. instead of 3½ p.c.

30 The above two modifications may be considered by the Fl Secy

Mme
28/7/32.

31. For favourable perusal
Fl-Sec.) 29.7.
29/7

Fl: 28: 32 to 29-7

32 Investment outside the Treasury with the special sanction of Govt may be allowed. ~~for~~ for Postal Cash Certificates, ~~there is~~ a maximum limit for the holding is prescribed - It will not therefore be possible to keep the whole of the Amount in this form -

~~Keep~~ 33 For money at call, it is not possible to give more than 3½ %. But as in the case of the S.B. deposits for the minimum balance for the whole year we may give 4½% interest & not for the Entire balance of debenture funds - the balance in excess of the ~~min~~ minimum being allowed 3½% .

I Inv)

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-31.

12/ Interest on Lumbagis moneys in Govt Treasuries.

3.192
4606

LM File No. 30 of 1931.

General and Revenue Secretariat

34 I agree with H Secy
Mue
7/9/32
D
8.8
L
8/8

35 Draft noted for approval
HD: A fresh draft as indicated noted
1/8 HD 7/8 KO

36 Draft for approval
L
26/8

Dev. Secy)

38 Neat & typed D 31.8.
L
31/8

37 fair draft noted
HD
2/9 KO

Dev. Secy)

D
2/9
D 7-9
to Secy
7/9

TYPING SECTION
1 SEP. 1932
GENL & REV SECT

TYPING SECTION
7 SEP. 1932
GENL. & REV. SECT

2

To The Regr of CS
D 1094 d 8.9.32

communicates the orders of Govt on his proposals in regard to the ~~amount~~ rate of interest to be allowed on the Bank's balances in the treasuries and to the Bank being permitted to utilise the proceeds

Interest on L M s moneys left in the treasuries ; 13

General and Revenue Secretariat | L M File No. 30 of 193 /. | [App. F. III—2

Serial No.

of recoveries of loan instalments towards the granting of fresh loans and calls for definite proposals in consultation with the President of the L M Bank in the light of the orders of Govt in regard to the formation of a Sinking Fund and necessary draft amendments to the Bye laws of the Bank and the Rules.

Fwd A

10/15-9

From the Regr of Cs.

No 2626 of 8/9 — 11-32

— forwards for favourable consideration and cross a copy of a letter from the Presdt of the L.M Bank in the matter

1/ The Presdt urges that, as a special case, Govt might allow interest on call amounts at 5% or at least 4½% since interest payable to debenture holders is 5% while the Trustee allows only 3⅛%. This concession is stated to be required only for the past two years 1930-31 & 1931-32 & not any further.

2/ The Presdt states that it is not possible for the Bank to utilize amounts received towards loan instalments for the grant of fresh loans if it has also to satisfactorily arrange for a sinking fund.

3/ In regard to the formation of a Debenture Redemption fund, he suggests that all amounts

NOTE—Contn. Sheet.

14 Interest on L.m. Banks moneys on Govt Treasuries

17.

General and Revenue Secretariat

ame File No. 30 of 1931.

Received by the Bank towards Principal may be credited to the fund, the interest being the property of the Bank & invested to the best advantage at a high rate of interest, Say, 5½ %. which is the rate now paid on Fixed Deposits for 7 years in the Govt Savings Bank But this has recently been ordered to be suspended in G.O. No 7L 2431-96/G.F. 27-32-S of 4th Nov. 1932.

(C)

14/ The Proposals which have been summed up by the President of the Bank are for orders. vide flag D.

15/ Dealt with supra with regard to FL-Secy's note at paras 32 & 33 supra.

MD 12/11 KS

16/ Govt regret is invited to the finds Members minutes at paras 13, 14 & 15 28 & 29 above & to the Comptroller's & Fin Secy's notes at paras 17 & 18, 24 & 25. The Board L.M. Bank urges practically a reconsideration of the question of Interest &c. As regards the other proposals contd in para 5 of his letter of 25.9.32 to the Govt (flag D). Fin Secy may be consulted before further action is taken. Perhaps a decision can be come to at a meeting of the Govt with the Board of the Bank. The Govt of C.S. the Fin Secy & the Comptroller

(And the Fin Secy is not agreeable this vide paras 32 & 33 supra.)

14/11/32

Dev. Secy)

17/ Fin. Secy.

FL: 1379 1/32 b

Govt. 14.11.32

18/ The views of Govt on the several points have been already

14/11/32

General and Revenue Secretariat | File No. | of 193 .

Serial No.

Communicated to the Bank in letter of date 8.9.32 and the Bank was asked to make specific suggestions and draft amendments to the rules in accordance therewith (69) Instead the Bank has reiterated its old proposals -

(50) In regard to the several items summarised in the last para of the Bank's letter it is to be stated as follows

(1) Govt can and give only 5% rate of interest on the debenture money left with Govt - as already decided - As this point refers only to interest payable for the last two years and it will not apply to future years, the order of Govt already passed need not be revised -

(2) (a) (i) It is very necessary That a Sinking Fund or redemption fund for repaying debentures on the due date should be formed and the proposal of the Bank is (1) to credit to this Fund a certain amount annually, which with its accumulating and will be equal to the Amount of the debentures eventually and (2) to make the Trustees invest this Fund in the most profitable manner, in consultation with the Bank and make available to the Bank for its current Expenses, the interest earned thereon each year - Investment in the most profitable manner & in Consultation with the Bank and making over to the Bank the interest earned have already been agreed to - The only question for consideration is what

NOTE—Contn. Sheet.

WD 70—GBPM—60,000—13-8-51.

amount shd be credited to the Sinking Fund every year. The simplest arrangement would be to credit Annually an amount Equal to the total amount of ~~debentures issued~~ debentures divided by the number of years which will Elapse upto the date on which the debentures have to be paid. The President of the Bank apparently does not ~~vote~~ wish to adopt this Course. He proposes that the portion of the recoveries pertaining representing principal will be credited to this fund. This amount will be indefinite and may become in any case. It is therefore better to fix up a formula which will give a definite amount annually. The Bank may be requested to suggest this.

51 The proposal to allow the amount in the Sinking Fund to be utilised for giving new loans in the first ten years is not acceptable.

52 Govt cannot guarantee ~~the~~ interest at rates lower than 5½% for advances which Govt. The rate will depend on the conditions prevailing at the time.

9.1.33

II Member)

53 I am afraid that the Pres of the Bank has not ~~is~~ under misapprehension as regards the Object of Govt letter of 8.9.32. In this

9/1/33

Office of the Second Member of Council, 9 JAN 1933 No. 4.25

Formation of a Sinking fund
L. M. Bank.

17

L M File No. 30 of 1931.

Serial No.

he was requested to formulate proposals for a Sinking fund with the necessary amendments but he has merely repeated as pointed out by the Fl Secy his original proposals. He seems to agree in the necessity for a Sinking Fund. The ~~most~~ necessary features of a Sinking Fund are that a definite sum fixed in ~~some~~ relation to the total amount & the period of repayment sd be paid into it & that this amount so set apart sd not be used for other purposes as far as possible. The present proposals of the Bank seem to go counter to both these. The exact scope of the proposals called for may be clearly explained to the Bank & their further views obtd.

10/1/33

54 A draft letter & Regr's C.S. is submitted for approval

11.1.33.

10/1 AM

55 Draft for perusal before issue

17/1/33

Secy (Secy)
No. D/3407 & 20.1.33.

The Regr. C.S. — Requested that the exact scope of the proposals called for may be clearly explained to the Bank & their further views obtained.

56 Issued.
18.1.33.

57 Issued to Govt.
18/1/33

NOTE—Contn. Sheet.

WD 70—GBPM—50,000—13-8-33

16 Interest on L.m.Bank's moneys in Govt. Treasuries & Formation of a sinking Fund by the L.m.Bank.

L.m File No. 3571 30 of 1931. General and Revenue Secretariat

5

From the Regr of Cs.

No 5697 Cs. dy 13/15.3.32

Forwards the proposals of the President of the L.m.Bank in the matter and requests early orders of Govt thereon.

The President of the Bank points out that the realizations of the Principal amount on loans issued by the Bank are small at first, gradually increasing, in accordance with a system of equated annual payments, according to a certain table given, and suggests that the sources towards principal every year in accordance with the Table should be made payable to the Trustee towards the sinking fund.

The sinking fund, it is suggested, should be required to be invested by the Trustee in consultation with the Bank in such manner & on such terms as may be considered most favourable.

Orders are solicited on the above points as also on the grant of a concession of interest at 5% or a small grant of Rs 1500 for the 2 years 1930-31 and 1931-32 as requested by the President in para 2 of his letter dy 28/9/32. A reconsideration of this, is urged by the President

Submitted for orders with regard to the foregoing rules (pp. 14 et seq.)

MJ 20/3 Returned with reference to the

3571

General and Revenue Secretariat | File No. | of 193 . | [App. F. III—2

Serial No.

Il Members Minute dt 10/1/33 at para 5 3 Bpra - Fin Secy may be Consulted.

22/3/33

Dlv. Secy)

Fin. Secretary.

Cast.

23.3.33.

23/3

Il-2800 MW

22/3.

The President has now dropped the question of being allowed to utilise the Sinking Fund for fresh loans - giving

Regarding the formation of a Sinking Fund he wishes to pay ~~on~~ to the Fund the amount collected as principal every year - according to Archer's table - and not ½₅ of the total loan - The object is apparent - He also means the amount paid into the Sinking Fund in the Earlier years - The annual ~~sum~~ amount according to his statement will go on increasing progressively from 1-6-0 to 8-11-0 per cent - Theoretically there may be no objection to accept his proposal as this will also result in the Sinking Fund accumulating to Rs 100 in 25 years - But in practice this will be inconvenient as the amount he pays ~~out~~ to the Sinking Fund will fluctuate very largely from year to year and during the later years the Bank will find it difficult to pay So much as 8-11-0 to the Sinking Fund Keeping only 0-11-0 for its operations. If it

NOTE—Contn. Sheet.

WD 0246 —GPB—15,000—22-8-32

35

File No. 30 of 1931. | General and Revenue Secretariat

Certainly be simpler and conducive to an Evenly regulated flow of operations in the Bank to insist on 1/25th of the amount being paid every year. As the interest earned on the Sinking Fund will be made available to the Bank for its ~~Current~~ operations this should not cause any inconvenience to it.

There is no objection to the Trustee in Vesting the Sinking Fund in Consultation with the Bank

25/3.

First Member.

H. 2800

E & D
OFFICE OF THE
FIRST MEMBER OF COUNCIL
28 MAR. 1933
No. 631

Secy
25.3.33.

Please see my Desk
25/3
Mr. KR Srinivasa Iyengar. The Comptr, the JS Secy and the Dy Secy may be present at the meeting on Monday 10th. The former two may be informed of this.

Secy
6/4/33

Secy
7/4/33

Send with a draft letter to the Comptroller. After issue, the file may be sent to the Library.

7/4

Secy
7/4/33

Donated Rs 5000 @ 7.4.33

Fin. Secretary

Secy
7.4.33.

7/4

6691

Serial No.

The Comptr Consents to the present as he has an engagement today at the K.G. Fields

Discussed - meers KP Srinivasa Iyengar, the Dewan and the Jt Secy were present.

1 on part deposits of Debenture funds the Bank may be allowed 4½ p.c interest

2. Investments of or for the sum of Rs 5000 by the Kadur DTD may be treated as part of the first Series of Debentures carrying 5½ p.c interest

3. Pending decision of the question of a sinking fund, the Bank may be permitted to use the sum of Rs 6000 stated to have been placed at the disposal of the Comptr as trustee.

4 The q.n. of the need for a Sinking fund will be Considered by the Jt Secy -

5 - The Jt Secy will also Consider if the Charitable Endowments with Govt, need allowed 5 p.c. for a specified period may not be invested in the Debentures of the Bank. As part of the sum of Rs 1 lakh which Govt have offered to take up.

Mme 10/5/33

Subd with a draft

Mr 12/4 KP 12/4 Dewan 13/4/33 Member 13/4/33

Secy 11/4/33

Secy 11/4/33

Secy 15-4-33

...OF THE ...NCIL No. 6799.

NOTE—Contn. Sheet

WD 02553—50,000—GPB—8-7 30

The draft may further be referred to Fl secy. if required. revision. There is no need to refer in it to the q.n. of formation of a Sinking fund. On what deposits 6% & 2½ p.c. has to be allowed should be clearly stated. The Pol. & the Registrar's Comm.s in which this point is mentioned have to be referred to. Similarly in regard to the treatment of the Kadur Dt. Bd investment as part of the first Series of debentures. What amt is known with the Cahnpur has to be ascertained and also replacement at the disposal of the Bank authorised.

Secy
16/4/33

Advd. the file may be sent to the Fl. Secretary as directed above
M.G. 6/14 K.B.

Fin ('Sec') 15/4/33

Chief.
17.4.33.

17/4/33
Fl 3107/20-4-33.
MK.
Revision:

A modified draft as per Secy's minute is put up. A separate note will be sent re Sinking Fund.
14-6-33.

15/6/33.

Chief. 15.6.33

Secy spoke 15/6

The Registrar C.S., the Comptr & the Presidency R.M. Bombay
D. 6511-13 & 20.6.33.
Pass orders on the points raised in Sl. 4.

GOVT. OF INDIA SECTT. 6 JUN 1933 FINANCE DEPT.

BOMBAY SECTT. 30/6 JUDICIAL DEPTT.

No. 7056 C:/Sec 6

Telegraphic Address: "CO-OPERT" BANGALORE

DEPARTMENT OF CO-OPERATION
GOVERNMENT OF MYSORE.
OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Dated, Bangalore, 1st April 1932.

DEVELOPMENT SECRETARY 4 APR 1932

£1730-31 — 1 D 3792

FROM
K. H. RAMAYYA, ESQ., B.A., BAR-AT-LAW,
REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE, BANGALORE.

DEVELOPMENT BRANCH.

To

B. T. KESAVA IYENGAR, Esq., B.A.,

Secretary to Government,
Development Department, BANGALORE.

Sir,

In enclosing herewith a copy of the correspondence as noted in the margin between myself and the President of the Land Mortgage Bank regarding the allowance of interest on the Bank's moneys left with the Trustee, viz. the Comptroller, in the Government Treasuries, and the utilisation of recoveries of loans for the grant of fresh loans, I have the honour to state that I have had many discussions with the President of the Land Mortgage Bank on the subject and to state as follows:

1. Letter No. 141 dated 18th April 1931 from the President, Land Mortggge Bank to the Registrar of Co-operative Societies, together with the enclosures thereto.
2. D.O. letter No.239 CS dated 3rd December 1931 from the Registrar of Co-operative Societies to the President, Land Mortgage Bank.
3. D.O. letter No.375 dated 7th March 1932 from the President, Land Mortgage Bank to the Registrar.
4. ~~Letter No. SI. 379 dated 10th March 1932 from the Secretary, Land Mortgage Bank, to the Registrar, together with the enclosures thereto.~~

2. The President of the Land Mortgage Bank has raised two questions on which Government orders are requested. The first relates to the allowance of interest at 5% per annum on the moneys of the Land Mortgage Bank kept in the Government Treasury in the Trustee's account, as is done in the case of charitable deposits. The President in his letter No.141 of 18th April 1931 has stated that the Bank's moneys left with the Trustee in deposit comprise of (1) Debenture moneys, (2) Recoveries of loan instalments, (3) share amounts, etc. It is

seen from the President's letter dated 7th March 1932 that up to end of December 1931 a sum of about Rs.4,600 has had to be made good from the share amount of the Bank for payment of interest accrued upon the Bank's debentures as the amount of interest realised on its loans during the period was not adequate to meet the interest payable on the debentures. This loss and a similar loss of perhaps a much smaller amount which may likely accrue during some further period until all the debenture moneys have been utilised as loans are due to the fact that the debenture moneys have as per Government order, to be kept with the Trustee till they are utilised for loans, and on moneys so kept interest at only Savings Bank rates which are quite low has been paid by the Trustee, whereas the Bank has to pay interest at 5% to the debenture holders. The President of the Land Mortgage Bank requests therefore, that Government may be approached to sanction the payment of interest at 5% per annum on the amounts held by the Trustee on behalf of the Bank as in the case of charitable deposits. The President does not consider it suitable that Government should recoup such loss by sanctioning an additional grants. The meeting of interest charges payable to the debenture holders from share capital though irregular, could not be helped by the Bank in the circumstances reported by the President. As explained in this office D.O. of 3rd December 1931 to the President of the Bank such loss is not likely to occur in the case of future issues of debentures. To enable this loss to be recouped, and also because the Bank is an institution intended solely for ameliorating the condition of the indebted agriculturists on whose prosperity the well being of the State chiefly depends, I recommend that Government, may, as a special case, sanction the Bank's request for allowing interest at 5% per annum upon the Bank's balances held by the Trustee.

3. The President has also suggested the amendment of byelaw No.36 and Rule 2 (3) of the Rules issued under Government Notification No. G.5929/LM 4-29-4 dated 11th November 1929 regarding the utilisation of the recoveries of loan instalments made from the members of the Bank under the terms of their mortgage deeds. For the reasons explained by the President of the Bank in para 2 of his letter of

18th April 1931, I consider that the amendments of the Rule and the byelaws of the Bank proposed by him are desirable. The President has intimated that the General Body of the Bank has, at its meeting held on 6th December 1931 also approved of the proposed amendment. I therefore recommend that Government may be pleased to sanction the amendments proposed by the President of the Bank, with a slight modification which I would propose, namely, that the words "with the approval of the Trustee" may be added after the words "the Bank" occuring in the latter part of the proposed amendments. The byelaw No.36 and Rule 2 (3) will, after the amendments proposed, stand as follows:

Byelaw No.36.

"36. Whenever a trustee is appointed by Government, the Bank shall, if so required by the Trustee, transfer to him its right in the mortgages on the security of which debentures are issued. The Bank shall also credit to an account opened in the Trustee's name with Government or in such other Bank as may be approved by him, all recoveries made on account of principal, provided however, that it shall be competent to the Bank, with the approval of the Trustee, to utilise the whole or any portion of the recoveries so credited for the issue of further loans to its members. The Bank shall also carry out all instructions that may, from time to time, be issued by the Trustee under the powers vested in him by the Mysore Co-operative Societies Regulation and the Rules thereunder."

Rule 2 (3). The Trustee may also require the Bank to credit to an account to be opened in his name in the Government Treasury or in any other Bank approved of by him all recoveries made on account of the principal of loans granted by it, whether through equated payments or otherwise, provided that it shall be competent to the Bank, with the approval of the Trustee, to utilize the whole or any portion of the recoveries so credited for the issue of further loans to its members."

As the Trustee is vested with the responsibility of seeing that adequate arrangements are made for the redemption of debentures of the Bank, the reason for the modification proposed by me will

be

be clear. With the modification, these amendments proposed are very necessary in the interests of the successful working of the Bank. As debentures issued by the Bank cannot be redeemed for a period of 10 years, there is no objection, but on the other hand, there will be every advantage to the Bank in allowing recoveries of loan instalments to be utilised for the granting of fresh loans. It may be mentioned that a similar procedure has been allowed in the case of the Madras Central Land Mortgage Bank also. I request early orders of Government in the matter.

I have the honour to be,

Sir,

Your most obedient servant,

K H Ramayya

AKM)1/4 Registrar.

D.O.letter No.375 dated 7th March 1932 from the President, The Mysore Co-operative Land Mortgage Bank,Ltd.,Bangalore to the Registrar of Co-operative Societies in Mysore,Bangalore.

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With reference to your D.O.letter No.239 dated 3rd December 1931 and subsequent No.334-C.S.dated 29th idem, regarding the interest to be allowed on the amounts held by the Trustee on behalf of this Bank,I write to state that the interest that had accrued on the debenture bonds issued to the public amounted to Rs.9,333-12-1 upto the end of December 1931 as against a sum of Rs.2,969-8-10 that was realised during the same period as interest on the subscriptions for the bonds that had been deposited in the Government Savings Bank by the Trustee.. The balance of Rs.6,364-3-3 has had therefore to be made good by the from its own resources. Even if a sum of Rs.1,747-13-0 that had accrued as interest on loans issued by the Bank and included in the first equated instalments that had to be paid by the grantees of loans at the end of April last - (which however could not be utilised by the Bank) be excluded, Government will have to be approached to make good the remaining amount of Rs.4,616-6-3. It is not possible to say definitely what amount of interest is likely to be realised from the Trustee's account this year, and in view of the difficulty of calculating the exact amount that will have to be claimed from Government from time to time and the heavy burden that they would have to bear if they undertake to make good the entire difference between our commitments and income in this connection by sanctioning additional grants therefor every year, I am still of opinion that it would be more equitable and in consonance with accepted financial principles if they were to sanction the payment of interest at 5% per annum, on the amounts held by the Trustee on behalf of the Bank, than if they should undertake to make good our loss by additional grants. If however, the Government prefer to sanction as an additional grant the amount required by the Bank to make up the guaranteed interest on the Debentures, I have no objection to the adoption of such a course.

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" Copy "

M H Ramaya
Registrar.

D.O.letter No.239 dated 3rd December 1931 from the Registrar of Co-operative Societies in Mysore, Bangalore, to the President, The Mysore Co-operative Land Mortgage Bank, Ltd., Bangalore.

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With reference to our conversation on the 6th November 1931 regarding discussing with the Second Member of Council the question of a higher rate of interest being allowed on the amounts of the Land Mortgage Bank kept in the Government Treasuries or held by the Trustee and amendments to certain byelaws of the Bank referred to in your letter No.141 dated 18th April 1931, and certain other matters, I request you to kindly let me know if the question of the higher rate of interest arises only with reference to the debenture subscriptions and held by the Trustee till they are fully utilised. In accordance with G.O.No.G.12215-8/L.M.21-29-2 dated 11-4-1930, the debenture money has to be kept with the Trustee. As regards the other monies of the Bank including the loan repayments held by the Trustee, they could, with the proposed amendments of the byelaws be separated and transferred to the Bank and the Bank is at liberty to invest them as best as it could either as fixed deposits in the Apex Bank or Mysore Bank or otherwise, if necessary, with the approval of the Trustee.

That there has been some loss of interest to the Bank due to the non-utilisation of the entire debenture capital in loans as soon as received is apparent. But it seems to me that with the accumulation of a fair amount of share capital by the Bank and also by the adoption of an arrangement whereby the Government subscription towards the next series of debentures that may be floated by the Bank could be obtained and treated as cash-credit, such a contingency, of loss as the one experienced now is not likely to occur. Even in respect of the first series of debentures, with regard to the Government portion of the debentures, it has already been ordered that the Bank may draw the money as and when required. I therefore think that the Bank may request Government to make an additional grant to it to make up the loss instead of requiring them to revise their rates of interest on Savings Bank deposits in favour of the Bank, as it may lead to an undesirable precedent. It is seen from the figures available that during the year 1930-31, out of a sum of Rs.1,32,700 on account of debentures issued, only

P.T.O.

only Rs.66,000/- are utilised, leaving a large balance of Rs.66,700/- with the Trustee. What loss in interest has accrued may kindly be intimated, and I shall be glad to have your views also in the matter.

In regard to the amendments of byelaws proposed by you, I agree with you and as the matter is not of an urgent nature, and as the proposed amendments have to be duly notified to all the members beforehand, they may be included in the agenda for the next general meeting and sent to me with the General Body's resolutions thereon for needful action.

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" Copy "

K.H.Ramaya

Registrar.

Letter No.141 dated 18th April 1931 from the President, The Mysore Co-operative Land Mortgage Bank,Ltd.,Bangalore,to the Registrar of Co-operative Societies in Mysore,Bangalore.

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In forwarding herewith for information copies of the Comptroller's letter No.3053/S.L.dated 24th March 1931, addressed to me, and my reply No.121 of 4th instant sent to him, in the matter of the procedure to be followed in making payments and accounting for amounts received in connection with share and debenture subscriptions received, and loans sanctioned by this Bank, I have the honour to state that, as will be seen from para 1 of the Comptroller's letter, there are several items in respect of which payments have to be received in the State Treasuries on the Bank's account and, with the expansion of the Bank's business, large amounts will have to be kept in the public Treasury in the Trustee's account or otherwise, for indefinite periods. A suitable rate of interest has therefore to be fixed for payment to the Bank on the credit balances lying with Government from time to time, as suggested by the Comptroller. Since the Bank is an institution intended solely for ameliorating the condition of indebted agriculturists, on whose prosperity the well-being of the State chiefly depends, I request that Government may be kindly moved to allow payment of interest at 5 per cent per annum on such amounts as is done for charitable deposits.

2. In this connection I beg to state that under byelaw No.36 of the Bank(vide also clause(m)under section 53 of the Mysore Co-operative Societies Regulation and Rule No.2(3) of the Rules - issued under Government Notification No.G.5929/L.M.4-29-4 dated 11th November 1929) all recoveries made from members of the Bank under the terms of their mortgage deeds have to be credited to the Trustee's account. As the interest portion of the annual equated payments made by the borrowing members has to be utilised by the Bank for meeting its working and other charges, as also for payment of interest on the Bank's debenture loans, it is only the portion of equated payment which represents the principal of the loans that can be paid to the Trustee for the formation of a - sinking fund for the repayment of the debentures. Even with -

P.T.O.

with regard to the principal portion of loans in view of the necessity to reinvest it at a sufficiently high rate of interest to secure an adequate return which will enable the Bank to meet its working charges in addition to the interest on the debentures till they are repaid, I request that it may be allowed to be redrawn and utilised by the Bank again for the grant of loans to its members instead of its being left with Government at a low rate of interest. If the above proposals are approved, the second sentence in Byelaw No.36 of the Bank and Rule 2(3) cited above will have to be amended as shown in the annexed draft.

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" Copy "

K H Ramaya
Registrar.

Letter No.3053/S.L.dated 24th March 1931 from the Comptroller to the Government of His Highness the Maharaja of Mysore, Bangalore to the President, the Mysore Co-operative Land Mortgage Bank, Ltd., Bangalore.

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With reference to correspondence ending with your letter No. 97 dated 12-3-31 regarding the procedure to be followed while paying interest on the debentures issued by the Bank, I have the honour to state that the following will be the items of receipts and payments at the Treasuries and this office in connection with the debenture loan and loans issued by the Bank.

1. Debenture subscriptions received at the Treasuries.

2. Debenture subscriptions received by the Bank direct and remitted to this office.

3. Withdrawals at Treasuries on account of loans issued by the Bank.

4. Withdrawals by adjustment inthis office of amounts of loans issued by the Bank out of its share capital, etc.

5. Recoveries of loans granted by the Bank.

6. Payment of interest on the debentures issued by the Bank.

7. Adjustment in this office of amounts subscribed by Government towards the Bank's debentures.

II. In respect of all these transactions at the Treasuries and this office, the Government will act as your Bank and render you accounts fortnightly as in the case of share subscriptions received on behalf of the Bank. The account will be accompanied by the detailed schedules, challans and vouchers received from the Treasuries, and in respect of transactions in this office full details will be given. In your office, these receipts and payments will have to be booked in the proper subsidiary registers and ledgers.

III. The payments on account of loans issued by the Bank and interest payable on the debentures will be authorised by this office so long as there is a credit balance in favour of the Bank. It will be the responsibility of the Bank to see that a sufficient credit balance is always maintained and that the receipts and payments are properly posted in the several books of

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of the Bank. You may kindly address Government on the rate of interest that should be paid on the credit balances lying with Government from time to time.

IV. Authorisations for payment of a loan will be issued on receipt of loan orders from you giving details of the borrower, amount of loan, security furnished, etc., together with a certificate that the title deeds have been scrutinised and the security offered has been valued, that the valuation admits the loan being sanctioned and that the title deeds will be sent to this office for custody within fifteen days after the loan is paid.

V. Authorisations for payment of interest on the debentures will be issued on receipt of the numbers of the debentures, the half years for which interest is due, the amount of interest and the treasury where interest is payable. I have accordingly taken action in respect of your requisition contained in the letter quoted above to pay interest to the Amrutur Sri Rama Mandiram Co-operative Society.

VI. On receipt of your acceptance of the above procedure I will issue necessary instructions to the Treasuries and my office.

VII. The favour of an early reply is requested.

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" Copy "

K H Ramaiya

Registrar.

Letter No.121 dated 4th April 1931 from the President, The Mysore Co-operative Land Mortgage Bank, Ltd., Bangalore, to the Comptroller to the Government of His Highness the Maharaja of Mysore, Bangalore.

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Adverting to your letter No.3053/S.L.dated 24th March 1931, suggesting the procedure that may be followed in arranging for payment of the interest due on debentures issued and loans - sanctioned by the Bank, I have the honour to state that the procedure suggested by you appears to be generally suitable for adoption. But with regard to "recoveries of loans granted by the Bank" as such recoveries are in the form of annual equated payments which include amounts that have to be credited towards both principal and interest the latter of which has to be utilise for meeting the Bank's working expenses and etc., it is necessary to apportion such recoveries to the two heads 'principal' and 'interest' and maintain separate accounts for each head. The byelaws have also to be made clear on this point and I am - addressing Government about it and also regarding the rate of interest payable to the Bank on the credit balances lying with Government from time to time, as suggested in para 3 of your letter.

2. The period of fifteen days from the date of payment of loan amounts suggested by you, for the despatch of title deeds to you appears to be insufficient as such deeds are generally in the possession of previous mortgagees of the borrowing members and it may not be always possible to adjust the dues of all of them and get at and send on the deeds to your office within that time. I suggest therefore that this period may be changed to one month.

****
"C O P Y "

K H Ramaiah
Registrar.

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DRAFT AMENDMENTS.

Existing.	Proposed.
1. Byelaw No.36 second sentence: 'The Bank shall also credit to an account opened in the Trustee's name in such other Bank as may be approved by him, all recoveries made from members of the Bank under the terms of their mortgage deeds'.	The Bank shall also credit to an account opened in the Trustee's name with Government or in such other Bank as may be approved by him all recoveries made on account of principal, ~~:~~ provided however, that it shall be competent to the Bank to utilise the whole or any portion of the recoveries so credited for the issue of further loans to its members."
2. Rule 2(3):- 'The Trustee may also require the Bank to credit to an account to be opened in his name in any other Bank approved by him all recoveries made from members of the Bank under the terms of their mortgages, whether through equated payments or on redemption or upon sale.'	'The Trustee may also require the Bank to credit to an account to be opened in his name in the Government Treasury or in any other Bank approved of by him all recoveries made on account of the principal of loans granted by it, whether through equated payments or otherwise, ~~:~~ provided that it shall be competent to the Bank to utilise the whole or any portion of the recoveries so credited for the issue of further loans to its members~~:~~.

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K H Ramayya
Registrar.

THE MYSORE CO-OPERATIVE LAND MORTGAGE BANK, LTD.

ALBERT VICTOR ROAD, CHAMARAJPET.

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RAJASABHABHUSHANA
K. R. SRINIVASIENGAR, M.A.,
PRESIDENT.

BANGALORE CITY.

D.O.No. 463/Encl: one

GEN. DEPT. 1 JUN DATED 29/5/1932

DEVELOPMENT BRANCH

DEVELOPMENT SECRETARIAT 30 MAY 1932

Dear Mr Kesavayya

Urgent- I am sending the file with this. please put up with Letter ready for my signature

With reference to the discussion I had with the First Member of Council on the 24th instant, I herewith append a note explaining the points on which orders of Government are requested. I shall be obliged if you will have the orders of Government obtained and communicated to me as early as possible.

30/5

Yours sincerely,

Dept. acknowledging receipt

31/5 (Dev. Secy)

For approval

31/5

Draft letter to be signed by Secy & put up

31/5

Issued vide 6099 dt 31.5.32

B.T. Kesava Iyengar, Esq., B.A.,
Secretary to Government,
Development Department,
BANGALORE.

Resolved as directed above

1/6 (Dev. Secy)

1/6/32

N O T E

(i) Recoupment of the money advanced by the Bank out of its share capital to pay interest on debentures during the years 1930--31 and 1931-32.

The sum of Rs.1,32,700 raised by the Bank from the public by the issue of debentures was left in the hands of the Trustee (Comptroller) under the orders of Government and was drawn upon by the Bank from time to time as and when required for the grant of loans to its members. For the period that the amount remained unutilised in the hands of the Trustee, he has allowed interest only at the Savings Bank rate while the Bank had had to pay 5% to the debenture holders. In view of the fact that Government are paying interest at 5 and even 5½% on long term deposits in Savings Bank, it was requested that interest at 5% might be paid on the debenture amount entrusted to the Trustee some relaxation being made regarding the period of the deposit in view of the special circumstances of the case. I considered that it would be easier for Government to allow this enhanced rate of interest than sanctioning an additional grant to the Bank to meet the difference between the debenture and the Savings Bank rates of interest, as the latter course may perhaps necessitate the approval of the Legislative Council being obtained for the additional grant. I have however, no objection to have the amount of difference in question sanctioned as an additional grant if the Government prefer to do so. I may add that such difference may not amount to more than about Rs.1,500/- (the exact figure has to be ascertained from the Comptroller) and that the Government will not be approached again for similar help as it is believed that no need therefor will occur again.

(ii) Payment to the Trustee of all amounts recovered from the grantees of loans by the Bank and the investment of such amount:

The Government having guaranteed the repayment of the debentures as they fall due, one of two courses has to be adopted to en-

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ensure such repayment: (1) The payment of a fixed annual contribution by the Bank to the Trustee to form a sinking fund for the redemption of the debentures when they fall due; or (2) The payment by the Bank to the Trustee of such portion as may represent the principal amount of the equated annual instalments of loans recovered from the indebted members of the Bank, the total of such annual payments amounting to the total amount of debentures. So far as the Government are concerned, it is immaterial to them whichever scheme is adopted as under either scheme they are assured of the payment of the entire amount of the debentures at the time of their maturity. I would however, prefer the adoption of the latter scheme in the interests of the Bank as it will permit of the amounts paid to the Trustee towards the principal every year being invested at a higher rate of interest (according to the market condition from year to year) than what may be allowed by Government for a long term of 25 or 30 years under the sinking fund system; and this will go to increase the interest receipts of the Bank and thereby enable the Bank to become self-supporting earlier than it would be under the sinking fund scheme. Further, the proposed scheme will facilitate the redemption of the debentures if required at any time after 10 years, up to the amount permissible from the collections towards - principal entrusted to and remaining in the hands of the Trustee.

(iii) The instalment payable towards the principal every year by the Bank to the Trustee will be based on a 25 year basis at 8%. (which is the rate at which the loans are issued to individual members of the Bank - i.e. Co-operative Societies) In order that the Government may not suffer by the default of any indebted member of the Bank in the payment of his instalments, I have no objection to adopt the suggestion of the First Member that the Bank should be made responsible for the payment to the Trustee of the instalment due in respect of the total amount of the debentures, any loss which may be sustained by the Bank on account of the default made by any of its indebted members in the payment of his dues being borne by it from its resources. The amount payable by the Bank to the Trustee every year will be fixed according to a table prepared for 25 years at 8% on the lines of the one given for 5% on page 7 of Archer's Tables.

Tables.

(iv) Under the arrangement suggested above, all payments made by the indebted members of the Bank towards their instalments will be credited to the Bank and not to the Trustee and the Bank will be responsible to pay the Trustee the instalments towards principal every year in respect of the entire amount of the debentures in accordance with the table referred to above.

(v) As the total of the annual payments towards the principal alone under the abovementioned scheme will equal the debenture amount at the end of the prescribed period, the annual interest on such payments will go to the Bank and it is therefore to the interest of the Bank that they should be invested at as high a rate of interest as possible. The proposals made by the Bank in regard to such investment should therefore receive every consideration at the hands of the Trustee, consistent of course, with safety. I had proposed that such amounts may be allowed to be re-invested on loans by the Bank itself, for a period of ten years at least as this will enable the Bank firstly to earn at least 7% thereon and secondly to avoid further borrowing to the extent of the amount so re-invested. If this proposal does not, as I was given to understand, find favour with the Trustee or the Government on the ground that the investment should be only in liquid form, I would then suggest that for the present the amount paid to the Trustee may be allowed to be placed in fixed deposit in the Central Co-operative Bank for a period of 10 years, as this Bank allows an interest of 7¼% per annum payable quarterly on fixed deposit for 10 years for sums below Rs.20,000 and 7½% on sums exceeding Rs.20,000.

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PRESIDENT
MYSORE CO-OPERATIVE LAND MORTGAGE BANK, LTD.

N O T E

(i) Recoupment of the money advanced by the Bank out of its share capital to pay interest on debentures during the years 1930-31 and 1931-32.

The sum of Rs.1,32,700 raised by the Bank from the public by the issue of debentures was left in the hands of the Trustee (Comptroller) under the orders of Government and was drawn upon by the Bank from time to time as and when required for the grant of loans to its members. For the period that the amount remained unutilised in the hands of the Trustee, he has allowed interest only at the Savings Bank rate while the Bank has had to pay 5% to the debenture holders. In view of the fact that Government are paying interest at 5 and even 5½% on long term deposits in Savings Bank, it was requested that interest at 5% might be paid on the debenture amount entrusted to the Trustee some relaxation being made regarding the period of the deposit in view of the special circumstances of the case. I considered that it would be easier for Government to allow this enhanced rate of interest than sanctioning an additional grant to the Bank to meet the difference between the debenture and the Savings Bank rates of interest, as the latter course may perhaps necessitate the approval of the Legislative Council being obtained for the additional grant. I have however, no objection to have the amount of difference in question sanctioned as an additional grant if the Government prefer to do so. I may add that such difference may not amount to more than about Rs.1,500/- (the exact figure has to be ascertained from the Comptroller) and that the Government will not be approached again for similar help as it is believed that no need therefor will occur again.

(ii) Payment to the Trustee of all amounts recovered from the grantees of loans by the Bank and the investment of such amounts.

The Government having guaranteed the repayment of the debentures as they fall due, one of two courses has to be adopted to ensure

sure

ensure such repayment: (1) The payment of a fixed annual contribution by the Bank to the Trustee to form a sinking fund for the redemption of the debentures when they fall due; or (2) The payment by the Bank to the Trustee of such portion as may represent the principal amount of the equated annual instalments of loans recovered from the indebted members of the Bank the total of such annual payments amounting to the total amount of debentures. So far as the Government are concerned, it is immaterial to them whichever scheme is adopted as under either scheme they are assured of the payment of the entire amount of the debentures at the time of their maturity. I would however, prefer the adoption of the latter scheme in the interests of the Bank as it will permit of the amounts paid to the Trustee towards the principal every year being invested at higher rate of interest (according to the market condition from year to year) than what may be allowed by Government for a long term of 25 or 30 years under the sinking fund system, and this will go to increase the interest receipts of the Bank and thereby enable the Bank to become self-supporting earlier than it would be under the sinking fund scheme. Further, the proposed scheme will facilitate the redemption of the debentures if required at any time after 10 years up to the amount permissible from the collections towards principal entrusted to and remaining in the hands of the Trustee.

(iii) The instalment payable towards the principal every year by the Bank to the Trustee will be based on a 25 year 8% bonds (which is the rate at which the loans are issued to the Bank and its affiliated Societies). In order that the Government may not suffer by the default of any indebted member of the Bank in the payment of his instalments, I have no objection to adopt the suggestion of the First Member that the Bank should be made responsible for the payment to the Trustee of the instalment due in respect of the total amount of the debentures, any loss which may be sustained by the Bank on account of the default made any of its indebted members in the payment of his dues being borne by it from its resources. The amount payable by the Bank to the Trustee every year will be fixed according to a table prepared for 25 years at 8% on the lines of the one given for 5½% on page 7 of Archer's Annuities.

Tables.

(iv) Under the arrangement suggested above, all payments made by the indebted members of the Bank towards their instalments will be credited to the Bank and not ~~to~~ to the Trustee ~~the payments due~~ and the Bank will be responsible to pay to the Trustee the instalments towards principal every year in respect of the entire amount of the debentures in accordance with the table referred to above.

(v) As the total of the annual payments towards the principal alone under the abovementioned scheme will equal the debenture amount at the end of the prescribed period, the annual interest on such payments will go to the Bank and it is therefore to the interest of the Bank that they should be invested at as high a rate of interest as possible. ~~The~~ Any proposals made by the Bank in regard to such investment should therefore receive every consideration at the hands of the Trustee, consistent of course, with safety. I had proposed that such amounts may be allowed to be re-invested on loans by the Bank itself for a period of ten years atleast as this will enable the Bank ~~to~~ firstly to earn at least 7% thereon and secondly to avoid further borrowing to the extent of the amount so re-invested. If this proposal does not, as I was given to understand, find favour with the Trustee or the Government on the ground that the investment should be only in liquid form, I would then suggest that for the present the amount paid to the Trustee may be allowed to be placed in fixed deposit in the Central Co-operative Bank for a period of 10 years, as this Bank allows an interest of 7½% per annum payable quarterly on ~~such~~ Fixed deposits for 10 years for sums below Rs.20,000 and 7½% on sums ~~not below~~ exceeding Rs.20,000.

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RS

PRESIDENT
MYSORE CO-OPERATIVE LAND MORTGAGE BANK, LTD.

LM 30-31-2

D1.94

To

The Registrar of Co-operative Societies
in Mysore, Bangalore.

Sir,

With reference to your letter No. 7.5f, dated 4th April 1932, forwarding a file of correspondence ~~xxxix~~ bearing on your proposal of the Land Mortgage Bank on the subject of the Bank's surplus in the Government Treasuries, and requesting that 5 per cent interest may be allowed on the Bank's balances in the Treasuries, and that the Bank Bye law No. 30 and also Rule 2 (3) of the -- rules issued with notification No. 7429/L.M. 4429-4, dated 14th November 1929 may be so amended as to permit the Bank to augment its income by utilising the proceeds of recoveries of loans/instalments towards the granting of fresh loans, and also by investing its funds in other than Government Treasuries where higher rates of interest could be secured, I am directed to state as follows:-

Dtd 8/9/32

Signed H.V.B. Murthy Krishnaiah

1. Out of the Bank's balances in the Govt. Treasuries for money at call, Government would be prepared to allow interest at 3 1/2 per cent. But as in the case of Savings Bank deposits for the ~~xinimum~~ Minimum balance for the whole year, interest at 4½ per cent will be allowed, but not on the entire balance of the Bank's funds the balance in excess of the minimum being allowed 3 1/2 per cent only.

2. Government would also permit the Bank to utilise the proceeds of recoveries of loan instalments towards the granting of fresh loans provided that adequate and reasonable safeguards

ment

arrangements are made for the formation of a sinking fund for the repayment of the Bank's Debenture Loan.

3. The Bank may invest the funds at favourable rates of interest in places other than the Government Treasuries such as Post Office Cash Certificates, etc., provided the previous special sanction of Government is obtained.

I am to request that in consultation with the President of the Land Mortgage Bank, definite proposals may be submitted to Government in the light of the above in regard to the formation of a sinking fund, and necessary draft amendments in to the Bye-laws of the Bank and the Rules forwarded at an early date.

I have etc.,

D. P. 9.

Secy. to Govt.
Dev. Department.

TRM.

C. Dr. 30-31-3.

No. 2626 es Dr 3

DEPARTMENT OF CO-OPERATION

GOVERNMENT OF MYSORE.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE,

TELEGRAPHIC ADDRESS: "CO-OPERT" BANGALORE

Dated, Bangalore, 8th November *193* 2

DEVELOPMENT SECRET 10 NOV

1732

GEN. & REV. SECRETARIAT. DEVELOPMENT BRANCH.

K. H. RAMAYYA, ESQ., B.A., BAR-AT-LAW,
REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE,
BANGALORE.

To 9/11

The Secretary to the Government
of His Highness the Maharaja of Mysore,
Development Department, BANGALORE.

Sir,

With reference to your letter No. D.1094/LM 30-31-2 dated 8th September 1932 calling for proposals in regard to the formation of a sinking fund for redemption of the Land Mortgage Bank debentures, and necessary draft amendments to the byelaws of the Bank and the Rules under the Co-operative Societies Regulation, I have the honour to forward herewith for favourable consideration and early orders of Government copy of letter No. S.I.88 dated 28th September 1932 together with the enclosures thereto received from the President of the Land Mortgage Bank in the matter.

I have the honour to be,
Sir,
Your most obedient servant,

K H Ramayya

Registrar.

AKM)8/11

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Letter No. S.I.88 dated 28th September 1932 from the President the Mysore Co-operative Land Mortgage Bank, Ltd., Bangalore, to the Registrar of Co-operative Societies in Mysore, Bangalore.

With reference to your letter No.1709 CS dated 21st September 1932 enclosing a copy of letter No. D.1094/LM 30-31-2 dated 8th September 1932 from Government and asking me to forward my proposals in the matter of the Bank's funds kept in Government Treasuries, I have the honour to state that in the note which I sent up to the Development Secretary to Government with my D.O. No.463 dated 29th May 1932 (copy of which is herewith enclosed for ready reference) I had clearly explained the position and my proposals in the matter of (1) the enhanced rate of interest asked for by the Bank on the debenture amount raised from the public and placed in the hands of the Trustee, and (2) the investment of the sums recovered by the Bank in repayment of the loans granted to its members. At a subsequent interview which I had with the First Member of Council on 28th July last, I further discussed the above points with him and the result of the discussion was noted by him on the file relating to the case. There is therefore very little that I have now to add to what I have already stated. However, as the Government have asked again for my proposals, I beg to reiterate them as follows:

2. In respect of the debenture amounts placed by the Bank in the hands of the Trustee pending their utilization for the grant of loans by the Bank, Government have been pleased to state that they would be prepared to allow interest at 3 1/8% on the money held at call and at 4½% on the minimum balance held for the whole year. This is no concession whatever to the Bank but what it is entitled to as a matter of right like any other person depositing money in the Government Savings Bank. What I had urged on behalf of the Bank was, that as a special case, and in view of the fact that while the Bank was getting interest on its call amounts with the Trustee at only 3 1/8% it had to pay interest thereon to the debenture holders at 5% - which the Bank had no means of doing except by drawing on the share capital

for

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

for this purpose, - the Government might be pleased to allow interest on such call amount also at 5% - or at least at the enhanced rate of 4½% allowed on deposits for a whole year; or in the alternative to sanction the difference - which may amount only to about Rs.1,500/- as an additional grant to the Bank. I would respectfully urge this request again for the favourable consideration of Government. The Government in their earnestness to ensure the successful working of the Bank have been so liberal and ungrudging in their assistance to the Bank that I trust they will not deny this small help, as it will go to strengthen its resources and its capacity to raise further debentures. I may add that the above concession is required only for the past 2 years (1930-31 and 1931-32) and will not be needed any longer, as the debenture amount subscribed by the public and entrusted to the Trustee has been almost completely utilized and as, in the case of future debentures that may be raised by the Bank, separate proposals will be submitted to Government which will not necessitate the grant of this concession.

3. With regard to the investment of the amounts recovered towards loan instalments due from the members of the Bank, the Government have been pleased to say that the Bank would be permitted to utilize such amounts towards the grant of fresh loans provided adequate and satisfactory arrangements are made for the formation of a sinking fund for the repayment of the debenture loan. If a sinking fund is to be formed for the repayment of the debenture loan, all recoveries towards the principal of the loan will have to be credited to it. I cannot therefore understand how the Bank can utilize them for the grant of fresh loans and at the same time satisfactorily arrange for the formation of the sinking fund, Any permission granted to the Bank to use such recoveries for grant of fresh loans will therefore be of no value unless the proviso mentioned above is removed. Considering that there will be ample security for all loans issued by the Bank, that the Government through its Trustee can always exercise necessary scrutiny over the adequacy of such security, and that so long as the Bank enjoys the confidence of the government

and the public (which it is bound to do with the powers of supervision and control which the Government are exercising over it), it should not be difficult for the Bank to raise a fresh debenture at any time for repayment of previous debentures, I beg to submit that Government will be incurring no risk whatever by allowing the recoveries made by the Bank towards the loan instalments due from its members to be invested on fresh loans without providing for a sinking fund.

4. If, nevertheless, the Government wish to insist on the formation of a sinking fund (or rather as I would prefer to call it a 'Debenture Redemption Fund') for the redemption of the debentures as they fall due, I would suggest that it may be done by requiring the Bank to pay to the Trustee all amounts recovered by it towards principal from its indebted members. The Bank will, if so required, even undertake and be responsible to pay to the Trustee regularly every year the amount creditable towards principal (according to the annuity method given on page 7 of Archer's Tables -- 1925 Edition) in respect of the whole debenture amount raised by it and guaranteed by Government. Under this arrangement the total amount of such annual payments without taking into account any interest thereon, will itself amount to the total debenture loan by the time it becomes due. As the annual interest on such amounts will then be the property of the Bank and will have to be handed to it for meeting its working expenses, it is necessary that the amounts should be invested to the best advantage of the Bank and made to carry as high a rate of interest as possible. My proposal is that the Bank should have an effective voice in the investment of this amount by the Trustee and that when it is decided to have the amount invested with the Government itself, the rate of interest to be paid by Government thereon should not be less than 5½% - which is the rate that they are now paying on Fixed Deposits for 7 years in the Government Savings Bank.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

5. In conclusion, my proposals which I request you to place before Government with your kind support are:

(1) That Government should allow interest at 4½% for the years 1930-31 and 1931-32 on all debenture moneys left in the hands of the Trustee during these years without regard to the minimum balance for the whole year;

(2) (a) (i) That the Bank be required to pay to the Trustee only the amounts creditable towards principal out of the payments made to it by its indebted members;

(ii) That as the interest on the amounts so paid to the Trustee is creditable to the Bank to meet its working expenses, the Trustee should be required to invest them in consultation with the Bank and to the best advantage of the Bank, either with Government or otherwise, and that, where it is decided to invest the amount with Government itself, interest to be allowed by Government should not be less than 5½% on all such investments.

(b) That Government should be also pleased to allow for a period of ten years the amounts paid to the Trustee as mentioned in (a) (i) above being invested by the Bank on fresh loans to be granted to its members.

6. The first of the proposals mentioned above does not require any amendments of the Rules issued by the Government or the Byelaws of the Bank. With regard to the second proposal, I submit herewith a draft amendment of the Rules. After it is approved, the necessary draft amendment to the Byelaws will be prepared in accordance ~~with~~ therewith and submitted for approval.

"Copy"

AKM)8/11

H H Ramaya
Registrar.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

Existing Rule.	Proposed amendments.
Rule 2 (3): The Trustee may also require the Bank to credit to an account to be opened in his name in any other Bank approved by him all recoveries made from members of the Bank under the terms of their mortgages, whether through equated payments, or on redemption or upon sale.	The Trustee may also require the Bank to credit to an account to be opened in his name in the Government Treasury, or in any other Bank approved of by him, all recoveries made on account of principal of loans granted by it, whether through equated payments or otherwise, provided that it shall be competent to the Bank, with the approval of the Trustee, to utilize the whole or any portion of the recoveries so credited for the issue of further loans to its members.
Rule 2 (4) (i): To invest or to require the Bank to invest the money at the credit of his account in his own name in any investment or deposit authorised by any law in force relating to the investment of trust funds and to vary such investments at his discretion	In consultation with the Bank, to invest, or allow the Bank to invest, the money credited or creditable to his account under clause (3) above in such investment or deposit as may be most advantageous to the Bank and as may be approved by Government or authorised by any law in force relating to the investment of trust funds, the interest recovered on all such investments being payable to the Bank.

Note: The amendment proposed to Rule 2 (3) is the same as that suggested by the Registrar in his letter No.7056 CS dated 1st/4th April 1932 to Government.

Sd. K.R.Srinivasiengar,
President.

"Copy"

Registrar.

AKM)8/11

N o t e.

(i) Recoupment of the money advanced by the Bank out of its share capital to pay interest on debentures during the years 1930-31 and 1931-32.

The sum of Rs.1,32,700 raised by the Bank from the public by the issue of debentures was left in the hands of the Trustee (Comptroller) under the orders of Government and was drawn upon by the Bank from time to time as and when required for the grant of loans to its members. For the period that the amount remained unutilized in the hands of the Trustee, he has allowed interest only at the Savings Bank rate while the Bank has had to pay 5% to the debenture holders. In view of the fact that Government are paying interest at 5 and even 5½% on long term deposits in Savings Bank, it was requested that interest at 5% might be paid on the debenture amount entrusted to the Trustee, some relaxation being made regarding the period of deposit in view of the special circumstances of the case. I considered that it would be easier for Government to allow this enhanced rate of interest than sanctioning an additional grant to the Bank to meet the difference between the debenture and the Savings Bank rates of interest, as the latter course may perhaps necessitate the approval of the Legislative Council being obtained for the additional grant. I have however, no objection to have the amount of difference in question sanctioned as an additional grant if the Government prefer to do so. I may add that such difference may not amount to more than about Rs.1,500/- (the exact figure has to be ascertained from the Comptroller) and that the Government will not be approached again for similar help as it is believed that no need therefor will occur again.

(ii) Payment to the Trustee of all amounts recovered from the grantees of loans by the Bank and the investment of such amount.

The Government having guaranteed the repayment of the debentures as they fall due, one of two courses has to be adopted to ensure such repayment; (1) The payment of a fixed annual contribution by the Bank to the Trustee to form a sinking fund for the redemption of the debentures when they fall due; or (2) the payment by the Bank to the Trustee of such portion as may represent the principal amount of the equated annual instalments of loans recovered from the indebted members of the Bank, the total of such annual payments amounting to the total amount of debentures. So far as the Government are concerned, it is immaterial to them whichever scheme is adopted as under either scheme they are assured of the payment of

of the payment of the entire amount of the debentures at the time of their maturity. I would however, prefer the adoption of the latter scheme in the interests of the Bank as it will permit of the amounts paid to the Trustee towards the principal every year being invested at a higher rate of interest (according to the market condition from year to year) than what may be allowed by Government for a long term of 25 or 30 years under the sinking fund system, and this will go to increase the interest receipts of the Bank and thereby enable the Bank to become self-supporting earlier than it would be under the sinking fund scheme. Further, the proposed scheme will facilitate the redemption of the debentures if required at any time ~~time~~ after 10 years up to the amount permissible from the collection towards principal entrusted to and remaining in the hands of the Trustee.

(iii) The instalment payable towards the principal every year by the Bank to the Trustee will be based on a 25 year basis at 8%, (which is the rate at which the loans are issued to individual members of the Bank and its affiliated societies). In order that the Government may not suffer by the default of any indebted member of the Bank in the payment of his instalments I have no objection to adopt the suggestion of the First Member that the Bank should be made responsible for the payment to the Trustee of the instalment due in respect of the total amount of the debentures, any loss which may be sustained by the Bank on account of the default made by any of its indebted members in the payment of his dues being borne by it from its resources. The amount payable by the Bank to the Trustee every year will be fixed according to a table prepared for 25 years at 8% on the lines of the one given for 5½% on page 7 of Archer's Tables.

(iv) Under the arrangement suggested above, all payments made by the indebted members of the Bank towards their instalments will be credited to the Bank and not to the Trustee, and the Bank will be responsible to pay to the Trustee the instalment towards principal every year in respect of the entire amount of the debentures in accordance with the table referred to above.

(v) As the total of the annual payments towards the principal alone under the above mentioned scheme will equal the debenture amount at the end

of the prescribed period, the annual interest on such payments will go to the Bank and it is therefore to the interest of the Bank that they should be invested at as high a rate of interest as possible. Any proposals made by the Bank in regard to such investment should therefore receive every consideration at the hands of the Trustee, consistent of course, with safety. I had proposed that such amounts may be allowed to be re-invested on loans by the Bank itself for a period of ten years at least as this will enable the Bank firstly to earn at least 7% thereon and secondly to avoid further borrowing to the extent of the amount so re-invested. If this proposal does not, as I was given to understand, find favour with the Trustee or the Government on the ground that the investment should be only in liquid form, I would then suggest that for the present the amount paid to the Trustee may be allowed to be placed in fixed deposit in the Central Co-operative Bank for a period of 10 years, as this Bank allows an interest of 7¼ per cent per annum payable quarterly on Fixed deposits for 10 years for sums below Rs.20,000 and 7½% on sums exceeding Rs.20,000/-.

Sd. K.R. Srinivasiengar,

President,
Mysore Co-operative Land Mortgage Bank.

"Copy"

AKM)8/11

H Ramayya
Registrar.

Appendix F G—1]

SUBJECT .....

.....

.....

Diary No. of letter replied to .....

General and Revenue Secretariat

( )

the 193 .

Date of issue 7.1.1933

Signed by [illegible]

List of enclosures .....

Copied by .....

Examined by .....

Section L.m

File No. 30 31

Serial No. 4

No D 1407

To The Regr. of C.S.

Sir,

With reference to your letter No 2626 of 8/9-11 32, forwarding a copy of a letter from the President of the L.m Bank in regard to the formation of a sinking fund so as to make arrangement to repay the principal amount of the debenture loan floated by the Bank, I am directed to state that the President of the Bank seems to agree in the recognise necessity for a sinking fund. The most necessary features of such a fund are that a definite

sum, fixed in relation to the total amount and the period of repayment, should be paid into it, and that this amount so set apart should not be used, as far as possible, for other purposes. The present proposals of the Bank seem to counter to both the aforementioned features

I am therefore to request that the exact scope of the proposals called for may be clearly explained to the Bank and their further views obtained and Communicated to Govt.

I am to add that the simplest arrangement would be to credit annually an amount equal to the total amount of debentures divided by the number of years which will elapse upto the date on which the debentures have to be repaid

G. R. S. App F. G. 3.

GENERAL AND REVENUE SECRETARIAT.

(Continuation sheet draft form.)

The Bank may be requested to suggest a formula which will give a definite amount annually. It may also be made clear ~~also~~ that the proposal to allow the amount in the sinking fund to be utilized for giving new loans in the first ten years is not acceptable, and that Govt. cannot guarantee interest at not less than 5½% for investment with Govt., the rate depending on the conditions prevailing at the time.

I have &c

17/1/33 Dear Secy

18.1.33.

WD 0327—GPB—10,000—18-5-27

2 of

D 3407

19th January 1933.

The

The Registrar of Co-operative Societies in Mysore,
Bangalore.

With reference to your letter No.2626 dated 8/9th November 1932, forwarding a copy of a letter from the President of the Land Mortgage Bank in regard to the formation of a sinking fund so as to make arrangements to repay the principal amount of the debenture loan floated by the Bank, I am directed to state that the President of the Bank seems to recognise the necessity for a sinking fund. The most necessary features of such a fund are that a definite sum, fixed in relation to the total amount and the period of repayment, should be paid into it, and that this amount so set apart should not be used, as far as possible, for other purposes. The present proposals of the Bank seem to go counter to both the abovementioned features.

I am therefore to request that the exact scope of the proposals called for may be clearly explained to the Bank and their further views obtained and communicated to Government.

I am to add that the simplest arrangement would be to credit annually an amount equal to the total amount of debentures divided by the number of years which will elapse up to the date on which the debentures have to be repaid.

The Bank may be requested to suggest a formula which will give a definite amount annually. It may also be made clear that the proposal to allow the amount in the sinking fund to be utilised for giving new loans in the first ten years is not acceptable, and that Government cannot guarantee interest at not less than 5½%

p.t.o.

5½% for investment with Government, the rate depending on the conditions prevailing at the time.

I have the honour to be,

Sir,

Your most obedient servant,

For Secretary to Government,
Development Department.

MK.2

L.M.30-31-5

No. 56975/Ec.2

TELEGRAPHIC ADDRESS:
"CO-OPERT"
BANGALORE

DEPARTMENT OF CO-OPERATION
GOVERNMENT OF MYSORE.
OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE,

Dated, Bangalore, 13th March 1933/193

15 15

3571

From

K. H. RAMAYYA, ESQ., B.A., BAR-AT-LAW,
REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE,
BANGALORE.

DEVELOPMENT DEPARTMENT
16. MAR. 1933
To

16/3

The Secretary to Government of Mysore,
Development Department,
Bangalore.

Sir,

With reference to your letter No.D.3407/L.M.30-31-4 dated 20/1/33 requesting me to obtain and furnish the opinion of the Land Mortgage Bank on certain matters regarding the formation of a sinking fund for the redemption of debentures floated by the Bank, I have the honor to forward herewith a copy of letter No.S.T.274 dated 2nd March 1933 and enclosure thereto received from the President of the Bank in the matter and to request that very early orders of Government may kindly be obtained.

I have the honor to be,
Sir,
Your most obedient servant,

K H Ramayya

Registrar.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

Dated, Bangalore, 13th March 1933.

Copy of letter No.B.I.274 dated 3rd March 1933, from the President, The Mysore Co-operative Land Mortgage Bank., Ltd., Bangalore, to the Registrar of Co-operative Societies in Mysore, Bangalore.

With reference to your letter No.4149 C.S. dated 28/30th January 1933 forwarding a copy of letter No.D.3407 L.M.30-31-4 dated 20th idem, received by you from the Development Secretary to Government, and requesting me to forward considered proposals in the matter of forming a sinking fund for the redemption of the debentures of the Bank referred to therein, I have the honor to state that I have so fully and clearly explained the situation in my letter No.B.I.88 of the 28th September last to you that I should have considered further explanation unnecessary. I beg, however to state as follows with reference to the points raised in the letter of the Development Secretary referred to above:-

2. I note that the Government are not in favour of allowing the Bank to re-invest on fresh loans the recoveries made towards principal out of the loans advanced by it and that they desire the creation of a sinking fund for the redemption of the debentures when they fall due. In para 4 of my letter of the 28th September last referred to above, I had suggested that, in the event of the Government insisting on the formation of a sinking fund, it may be formed by the Bank paying into the hands of the Trustee for credit to the sinking fund, the amount creditable towards principal out of the equal annual instalments payable by the recipients of loans. As regards the observation of Government that the simplest arrangement would be to credit to the fund an amount equal to the total amount of debentures divided by the number of years at the end of which they are repayble, I may state that this arrangement will be all right if the loans advanced by the Bank were also repayable in equal annual instalments towards principal. But this is not the system observed by the Bank in the issue of loans. The system adopted by it is that of equated annual payments towards both principal and interest. Under this system, the amount creditable towards principal out of the annual instalments payable by the indebted members is comparatively small in the first instance and goes on steadily increasing from year to year, the total of such credits

at the end of the loan period being equivalent to the total amount of principal. A table prepared on the lines of that contained on page 7 of Archer's Tables is herewith attached showing the annual credits to principal every year in respect of a loan of Rs.100/- advanced at 8% for a period of 25 years, which is the period for which all loans are now being advanced by the Bank. It will be seen that the total of such annual credits comes up to the full amount of the principal (Rs. 100/-) at the end of 25 years. What I propose on behalf of the Bank is that in respect of the total amount of debentures issued by the Bank and guaranteed by Government, the recoveries towards principal every year should be calculated in accordance with the annexed table and made payable to the Trustee towards sinking fund. The total of such annual payments will be equal to that of the debenture amount at the end of the prescribed period, and will be available for the redemption of the debentures by Government as guaranteed by them.

3. As regards the investment of the sinking fund, as the interest realised thereon is to go to the Bank and has to be utilised by the Bank to pay the interest on debentures and also meet the Bank's working expenses as far as possible, it is suggested that it should be required to be invested by the Trustee in consultation with the Bank in such manner and such terms as may be considered to be most favourable to the Bank either in Government securities or in any other Bank or institution approved by Government.

4. I request that very early orders of Government may be obtained on the above points as also in respect of the concession asked for in para 2 of my letter of 28th September last to you, referred to above,

'Copy'

M.H. Ramaiya
Secretaries
Bangalore.

DEPARTMENT OF CO-OPERATION.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

Dated, Bangalore, 13th March 1933.

Repayment of a loan of Rs. 100/- at 8% in 25 equated annual payments of Rs.9/6/0 each.

Years	Creditable to Principal	Creditable to Interest.
	Rs.	Rs.
1st Year	1/ 6/0	8/ 0/0
2nd ,,	1/ 8/0	7/14/0
3rd ,,	1/10/0	7/12/0
4th ,,	1/12/0	7/10/0
5th ,,	1/14/0	7/ 8/0
6th ,,	2/ 0/0	7/ 6/0
7th ,,	2/ 3/0	7/ 3/0
8th ,,	2/ 6/0	7/ 0/0
9th ,,	2/ 9/0	6/13/0
10th ,,	2/12/0	6/10/0
11th ,,	2/15/0	6/ 7/0
12th ,,	3/ 3/0	6/ 3/0
13th ,,	3/ 7/0	5/15/0
14th ,,	3/11/0	5/11/0
15th ,,	4/ 0/0	5/ 6/0
16th ,,	4/ 5/0	5/ 1/0
17th ,,	4/11/0	4/11/0
18th ,,	5/ 1/0	4/ 5/0
19th ,,	5/ 7/0	3/15/0
20th ,,	5/14/0	3/ 8/0
21st ,,	6/ 6/0	3/ 0/0
22nd ,,	6/14/0	2/ 8/0
23rd ,,	7/ 7/0	1/15/0
24th ,,	8/ 0/0	1/ 6/0
25th ,,	8/11/0	0/11/0
Total	Rs.100/ 0/0	134/ 6/0

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H H Ramaiah
Registrar of Co-operative Societies

Appendix F G—1]

SUBJECT .....

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Section L.m

File No. 30-31

Serial No.

Diary No. of letter replied to ....

No. D 5000

To

The Comptroller & Con

Sir,

I am directed to invite refce to your U.O. note No. 114/S.L of 8/9.7.1932 in the Secretariat file L.m. 30 of 31 on the subject of making provision for the repayment of the debentures of the L.m. Bank, and to request you to be so good as to be present at the meeting of the Presdt. of the L.m. Bank arranged to be held with the 1st Member of Council, on Monday the 10th instant at 3 p.m. in the first member's Chambers.

I have &c

2/7/32

Dep. Secy.

General and Revenue Secretariat

( )

the *193* .

Date of issue 2.4.33

Signed by .....

List of enclosures.....

Copied by 2/7/32

Examined by.....

WD 0253—GPB—15,000—26-8-32

Immediate

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

No. D 5000.

Dated, Bangalore, 7th April 1933.

COMPTROLLER'S OFFICE
- 9 APR 1933
BANGALORE

From

The *Secretary to the Government of His Highness the Maharaja of Mysore*
Development Department.

To

The Comptroller to the Government of Mysore.

Sir,

I am directed to invite reference to your Unofficial Note No. 114/S.L. dated 8th/9th July 1932, in the Secretariat File L.M. 30 of 1931 on the subject of making provision for the repayment of the debentures of the Land Mortgage Bank, and to request you to be so good as to be present at the meeting of the President of the Land Mortgage Bank with the First Member of Council arranged to be held on Monday the 10th instant at 3 P.M. in the First Member's Chambers.

Subd to the First Member.
This intimation came to me yesterday. I had previously arranged with the Mines authorities at Kolar to examine their accts today. I am therefore sorry I cannot be present at the meeting.

C.R.G.

I have the honor to be,
Sir,
Your most obedient servant,

for Secretary to Government,
Development Department.

postponed to tomorrow if
possible. If this is not con-
venient the Dy Comptr
or the Asstt Comptr S/L
may kindly be got for the
meeting. Any further disc
next I shall hold with the
President of the Bank later
and I shall take instn
from the Members on points
to be decided.
I am very sorry to have
caused this inconvenience.

M. Venkatachalapathy
10.4.33

This is not necessary
MVy

The complete record not be present at the meeting
Circ S/a/cs alone. I do not think the
necessary part of the meeting.
MVC
CC 4/33

Ltr
10.4.33

THE MYSORE CO-OPERATIVE LAND MORTGAGE BANK, LTD.

ALBERT VICTOR ROAD, CHAMARAJPET.

RAJASABHABHUSHANA
K. R. SRINIVASIENGAR, M.A.,
PRESIDENT.

BANGALORE CITY.

D O No. 307

DATED 24th March 1933

Dear Mr. Krishnarao

The question of the formation of the sinking fund in respect of the Debentures issued by this Bank and the investment of this fund still remains undisposed, though I have addressed a number of communications to the Registrar and Government on the subject - the last of which is No.S.I.272 dated 2nd March 1933. I have recently addressed Government in my letter No.S.I.283 dated 11th March 1933 making certain suggestions in the matter of the utilization of the debenture amount subscribed for by Government. The debenture amount already raised by the Bank being nearly exhausted the terms on which the next series of debentures may be issued and the contribution of Government thereto have to be considered. I wish to have a personal talk with you about these and other matters relating to the Bank and shall feel obliged if you can kindly give me about half an hour's interview for the purpose at any time that may be convenient to you. I would suggest that the Development Secretary, the Financial Secretary and the Comptroller (as the Bank's Trustee) may also be required to be present at our discussion, as it may facilitate the prompt disposal of the above questions.

Yours sincerely,

K. R. Srinivasiengar

Rajakaryaprasakta Diwan Bahadur
M.N. Krishna Rao, Esq., B.A.,
Member of Council,
BANGALORE.

No 165

24th March 5

Dear Mr. Srinivasaiengar,

I have received your letter No. 307 of date. I shall study the papers relating to the questions referred to by you and shall write to you again as to when we might meet for a personal discussion.

Yours sincerely,

Rajasabhabhushana
K.R.Srinivasaiengar,Esq., M.A.,
President, The Mysore Co-operative
Land Mortgage Bank, Ltd.,
BANGALORE CITY.

6th April 3

Dear Mr. Srinivasaiengar,

In continuation of my letter No. 165 of the 24th of last month, I write to state that we might meet on Monday the 10th instant at 5 p.m. to discuss the questions raised in your letter of the 2nd March 1933 to the Registrar of Co-operative Societies.

Yours sincerely,

(sd.) M. N. Krishna Rau.

Rajasabhabhushana
K. R. Srinivasaiengar, Esq., M.A.,
President, The Mysore Co-operative
Land Mortgage Bank, Ltd.,
Albert Victor Road, Chamarajpet,
BANGALORE CITY.

6.4.33

Appendix F G—1]

SUBJECT .....

.....

.....

Section LM.

File No. 30-31

Serial No. 5

Diary No. of letter replied to .....

General and Revenue Secretariat

( )

the *193* .

Date of issue 20/1/33

Signed by Mr Sen.

List of enclosures.....

Copied by.....

Examined by.....

No.

To The Regr. of Cs.

Sir,

With refce to your letter no: 5697 Cs. of 13/65-3-33, regarding orders of Govt. in the matter of the formation of a Sinking fund for the redemption of the debentures issued by the L.-m-Bank, I am directed to state that pending decision of the question, it has been decided as follows:—

1. The Bank will be allowed 4½% interest on part deposits of debenture funds.

2. The investment of a further sum of Rs 50000 by the Kadur Dt. Bd will be treated as part of the first series of debentures carrying

5% interest.

3. The Bank will be permitted to use the sum of Rs 6000 stated to have been placed at the disposal of the Comptroller as trustee

[4. The question of the need for a sinking fund will be examined separately by the Financial Secretary to Govt.

as also whether the Cash charitable endowments with Govt. now allowed 5% for a specified period may not be invested in the debentures of the Bank as part of the sum of Rs 1 lakh which Govt have offered to take up]

If approved, this may be omitted in the draft and the file submitted to the Fin Secy for further action in regard to pts 4 & 5 of the memo

13/4/33

I have &c

wh.

Dep. Secy.

Memo. 0582-B 2/13/4/33

Copy forwarded with Compts to the Comptroller to Govt / President & Mg Director Bank for information

B.

2/13/4/33

Dy Dep Secy

To

The Registrar of Cooperative
Societies in Mysore,
Bangalore.

Sir,

With reference to correspondence ending with your letter No.5697 C S dated 13/15th March 1933 requesting orders of Government regarding the rate of interest payable to the Land Mortgage Bank on the Debenture deposits left by the Bank with the Trustee(Comptroller),formation of a Debenture redemption fund etc., I am directed to state as follows:--

(1) Interest at Four and a half per cent per annum will be allowed as a special case, instead ~~of~~ of at the rate of interest allowed on savings bank deposits, on the balance left in the hands of the Trustee, during 1930-31 and 1931-32, out of the Debenture amount of Rs.1,32,700 - raised by the Bank and deposited with the Trustee.

(2) The Comptroller has been instructed to place at the disposal of the Land Mortgage Bank The sum of Rs.50,000 which is required to be invested by the Kadur District Board may be treated as part of the first series of Debentures carrying Five per cent interest raised by the Land Mortgag Bank and the Comptroller has been instructe to place this amount at the disposal of the Bank, soon after it is received from the District Board.

(3) Pending the formation decision on

the question of forming a Sinking Fund (Redemption Fund) (Debenture Redemption fund), the Comptroller (Trustee) has been authorised to return at the disposal of the Bank, the sum of Rs. 6005-10-7 stated to have been so far received (vide 1-5-33) as certain from the Comptroller of the Bank.

I have etc.,

Development Secretary

14/6

Copy of the above is forwarded with compliments to (1) the Comptroller for information and necessary action (2) the President, Land Mortgage Bank Ltd, Bangalore, for information.

By order,

Development Secretary

Ft 3107/14-6-33

Supt, State Loan section to kindly furnish the information referred to in "A" above

14-6-33

Sir,

Nothing is received from the Bank towards S. Fund upto date

Asst
14/6/33

We have got Rs 6005-10 as loans under loan recoveries on 1-5-33. Asst 14.6.33

Free Draft) Copies

To

No 4175 S.R.
Dated 30-3-33

The Registrar of Co-operative Societies
in Mysore, BANGALORE.

Sir,

With reference to correspondence ending with your letter No. 5697/C.S. dated 13/15th March 1933 requesting orders of Government regarding the rate of interest payable to the Land Mortgage Bank on the Debenture deposits left by the Bank with the Trustee (Comptroller), formation of a Debenture redemption fund etc., I am directed to state as follows:

(1) Interest at Four and a half per cent per annum will be allowed as a special case, instead of at the rate of interest allowed on savings bank deposits, on the balance left in the hands of the Trustee, during 1930-31 and 1931-32 out of the Debenture amount of Rs 1,32,700 raised by the Bank and deposited with the Trustee.

(2) The sum of Rs 50,000/- which is required to be invested by the Kadur District Board may be treated as part of the first series of Debentures carrying Five per cent interest raised by the Land Mortgage Bank ~~and the Comptroller has been instructed to place this amount at the disposal of the Bank soon after it is received from the District Board.~~

(3) Pending decision on the question of forming a Sinking Fund (Debenture Redemption Fund), the Comptroller (Trustee) has

may
~~has been authorised to~~ return to the Bank, the sum of Rs. 6,005-10-7 stated to have been so far received from debtors (till 1st May 1933) towards the repayment of loans taken by them

@ As per details furnished by the State Loan section of the Comptroller's office

I have etc.,

Development Secretary.

D 6578-13
20.7.33
14/6

Copy of the above is forwarded with compliments to (1) the Comptroller for information and necessary action and (2) the President, Land Mortgage Bank Ltd., Bangalore, for information.

B.O.

Development Secretary.

14-6-33

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE

General and Revenue Secretariat

Dated, Bangalore, ~~16th~~ June 1933.

No. D6511

Dev 30-31-5

From

The *Secretary to the Government of His Highness the Maharaja of Mysore, Development Department.*

To

The Registrar of Co-operative Societies in Mysore, Bangalore.

Sir,

With reference to correspondence ending with your letter No.5697/C.S.dated 13/15th March 1933 requesting orders of Government regarding the rate of interest payable to the Land Mortgage Bank on the Debenture deposits left by the Bank with the Trustee (Comptroller), formation of a debenture redemption fund etc., I am directed to state as follows :-

(1) Interest at Four and a half per cent per annum will be allowed as a special case, instead of at the rate of interest allowed on savings bank deposits, on the balance left in the hands of the Trustee, during 1930-31 and 1931-32 out of the Debenture amount of Rs.1,32,700 raised by the Bank and deposited with the Trustee.

(2) The sum of Rs.50,000/- which is required to be invested by the Kadur District Board may be treated as part of the first series of Debentures carrying Five per cent interest raised by the Land Mortgage Bank.

(3) Pending decision on the question of forming a Sinking Fund (Debenture Redemption Fund), the Comptroller (Trustee) may return to the Bank, the sum of Rs.6005-10-7 stated to have been so far received from debtors (till 1st May 1933) towards the repayment of loans taken by them.

I have the honour to be,
Sir,
Your most obedient servant,

Sd.S.Abdul Majid.
Secretary to Government,
Development Department.

p.t.o.

mk.4

Memo No. [illegible] Dated, Bangalore, the ~~16~~th June 1933.

Copy of the above is forwarded with compliments to (1) the Comptroller for information and necessary action and (2) the President, Land Mortgage Bank Ltd., Bangalore for information.

By order,

D R A F T.

Secretary to Government,
Development Department.

L.No. 30-31-b.

OFFICE OF THE COMPTROLLER TO THE GOVERNMENT
OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

No. 2231 /S.L. Bangalore, dated 30th June 1933.

36

GEN. & REV. SECTT. BANGALORE

From

M. VENKATESA IYENGAR, Esq., M.A.,
Comptroller to the Government of
His Highness the Maharaja of Mysore,
DEVELOPMENT BRANCH,
Bangalore.

DEVELOPMENT SECRETARIAT
3 JUL 1933

The Secretary to Government of Mysore,
Development Department, Bangalore.

Sir,

With reference to your letter No.D6512-13 dated 20-6-1933 regarding payment of interest at 4½% per annum instead of at the rate of interest allowed on Savings Bank Deposits, on the balance of the debenture deposits of the Land Mortgage Bank left in the hands of the Trustee during 1930-31 and 1931-32, I have the honour to request that the Government order may be kindly communicated through the Financial Department (vide Article 272(d) and 273(b), Mysore Civil Account Code, Volume I.

I have the honour to be,
Sir,
Your most obedient servant,

For Comptroller.

S.S.

To the typing section for kindly making 3 copies of the letter at Flag Q. for communication from the F.D.

Sd/ 4/7

Sd/ 6/7

Submitted with 3 copies of the G.O. for communication to the F.D. Communicate

Sd/ 6/7

B

GEN. & REV. SECRETARIAT
7 JUL 1933

Sd/ 7/7

Issued
Sd/ 10/7/33.

7-7-1933

Draft-Fair-Submit.

For perusal
Sd/ 8/7/33

Sd/ 8/7/33